

Senate Study Bill 1013

SENATE/HOUSE FILE _____
BY (PROPOSED DEPARTMENT OF
AGRICULTURE AND LAND
STEWARDSHIP BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the Iowa agricultural development authority,
2 by providing for administration, programs, and reporting.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 1232DP 80
5 da/pj/5

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1 1 Section 1. Section 175.2, subsection 3, Code 2003, is
1 2 amended to read as follows:
1 3 3. "Agricultural producer" means a person that engages or
1 4 wishes to engage or intends to engage in the business of
1 5 producing and marketing agricultural ~~produce~~ products or
1 6 processing agricultural products in this state.
1 7 Sec. 2. Section 175.2, Code 2003, is amended by adding the
1 8 following new subsection:
1 9 NEW SUBSECTION. 11A. "Livestock" means an animal
1 10 belonging to the bovine, caprine, equine, ovine, or porcine
1 11 species; ostriches, rheas, or emus; farm deer, as defined in
1 12 section 481A.1; poultry; fish that are raised as part of an
1 13 aquacultural operation; or any other animal that is kept as
1 14 part of a farming operation for its parts or products having
1 15 commercial value, including but not limited to its muscle
1 16 tissue, organs, fat, blood, manure, bones, milk, wool, hide,
1 17 pelt, feathers, eggs, semen, embryos, or honey.
1 18 Sec. 3. Section 175.3, subsection 1, Code 2003, is amended
1 19 to read as follows:
1 20 1. The agricultural development authority is established
1 21 within the department of agriculture and land stewardship.
1 22 The authority is constituted a public instrumentality and
1 23 agency of the state exercising public and essential
1 24 governmental functions.
1 25 a. The authority is established to undertake programs
1 26 which assist beginning farmers in purchasing agricultural land
1 27 and agricultural improvements and depreciable agricultural
1 28 property for the purpose of farming, ~~and programs which~~
1 29 ~~provide financing to farmers for permanent soil and water~~
1 30 ~~conservation practices on agricultural land within the state~~
1 31 ~~or for the acquisition of conservation farm equipment, and to~~
1 32 ~~undertake~~ programs to assist farmers within the state in
1 33 financing operating expenses and cash flow requirements of
1 34 farming, ~~and to undertake or support programs for agricultural~~
1 35 ~~education.~~ The authority shall also develop programs to
2 1 assist qualified agricultural producers within the state with
2 2 financing other capital requirements or operating expenses.
2 3 b. The powers of the authority are vested in and exercised
2 4 by a board of eleven members with nine members appointed by
2 5 the governor subject to confirmation by the senate. The
2 6 treasurer of state or the treasurer's designee and the
2 7 secretary of agriculture or the secretary's designee are ex
2 8 officio nonvoting members. No more than five appointed
2 9 members shall belong to the same political party. As far as
2 10 possible the governor shall include within the membership
2 11 persons who represent financial institutions experienced in
2 12 agricultural lending, the real estate sales industry, farmers,
2 13 beginning farmers, average taxpayers, local government, soil
2 14 and water conservation district officials, agricultural
2 15 educators, and other persons specially interested in family
2 16 farm development.
2 17 Sec. 4. Section 175.3 subsection 5, Code 2003, is amended
2 18 by striking the subsection.
2 19 Sec. 5. Section 175.4, subsections 13, 14, 15, and 17,
2 20 Code 2003, are amended by striking the subsections.
2 21 Sec. 6. Section 175.4, subsections 20 through 22, Code
2 22 2003, are amended to read as follows:

2 23 20. Because the Iowa economy is dependent upon the
2 24 production, processing, and marketing of agricultural ~~produce~~
2 25 products, the inability of agricultural producers to obtain,
2 26 retain, restructure, or service loans or other financing on a
2 27 reasonable and an affordable basis for operating expenses,
2 28 cash flow requirements, or capital asset acquisition or
2 29 maintenance contributes to a general decline of the state's
2 30 economy.

2 31 21. The decline in the number of ~~beef-cattle livestock~~
2 32 production operations is a serious problem within the state,
2 33 resulting in the conversion of land used for pasture to row
2 34 crop production, which threatens to destroy a significant part
2 35 of Iowa's agricultural base and damage the economic viability
3 1 of the state.

3 2 22. It is necessary to create a program in this state to
3 3 assist agricultural producers who have established or intend
3 4 to establish ~~beef-cattle livestock~~ production operations, to
3 5 obtain adequate financing, and management assistance and
3 6 training, and to convert land used for row crop production to
3 7 pasture.

3 8 Sec. 7. Section 175.4, Code 2003, is amended by adding the
3 9 following new subsection:

3 10 NEW SUBSECTION. 23. A vital need exists to provide
3 11 agricultural education in this state, in order to better
3 12 inform persons regarding farming, the production of
3 13 agricultural products, the processing of agricultural
3 14 products, and the benefits of farming as an avocation and way
3 15 of life.

3 16 Sec. 8. Section 175.6, subsection 12, Code 2003, is
3 17 amended to read as follows:

3 18 12. In ~~co-operation~~ cooperation with other local, state,
3 19 or federal governmental agencies or instrumentalities and
3 20 private entities, undertake or support agricultural education
3 21 programs, conduct studies of beginning farmer or agricultural
3 22 producer agricultural needs, and gather and compile data
3 23 useful to facilitate decision making.

3 24 Sec. 9. Section 175.8, subsection 1, unnumbered paragraph
3 25 1, Code 2003, is amended to read as follows:

3 26 ~~The Upon request of the governor or a member of the general~~
3 27 ~~assembly, the authority shall submit to the governor and to~~
3 28 ~~the members of the general assembly as request it, not later~~
3 29 ~~than January 15 of each year, a complete and economically~~
3 30 ~~designed and reproduced report setting forth:~~ status report to
3 31 the governor or a member. The governor or member of the
3 32 general assembly may request that the status report contain a
3 33 summary of the authority's activities and its finances,
3 34 including any of the following:

3 35 Sec. 10. Section 175.8, subsection 2, Code 2003, is
4 1 amended to read as follows:

4 2 2. The ~~annual report shall~~ authority may prepare a
4 3 performance report as part of the status report or as another
4 4 or independent report. The performance report shall identify
4 5 performance goals of the authority, and clearly indicate the
4 6 extent of progress during the reporting period, in attaining
4 7 the goals. Where possible, results shall be expressed in
4 8 terms of number of loans and acres of agricultural land.

4 9 Sec. 11. Section 175.13A, subsection 2, paragraphs b and
4 10 c, Code 2003, are amended to read as follows:

4 11 b. The agricultural producer's land ~~and farm operations~~
4 12 ~~are used to produce or process agricultural products is~~
4 13 located within the state.

4 14 c. ~~Based upon the agricultural producer's net worth, cash~~
4 15 ~~flow, debt-to-asset ratio, and other criteria as prescribed by~~
4 16 ~~rule of the authority, the authority determines that without~~
4 17 ~~such assistance the agricultural producer could not reasonably~~
4 18 ~~be expected to be able to obtain, retain, restructure, or~~
4 19 ~~service loans or other financing for operating expenses, cash~~
4 20 ~~flow requirements, or capital acquisition and maintenance upon~~
4 21 ~~a reasonable and affordable basis.~~

4 22 Sec. 12. Section 175.36, subsection 1, unnumbered
4 23 paragraph 1, Code 2003, is amended to read as follows:

4 24 The authority shall create and develop programs to assist
4 25 agricultural producers who have established or intend to
4 26 establish in this state, ~~beef-cattle livestock~~ production
4 27 operations, including but not limited to the following
4 28 assistance:

4 29 Sec. 13. Section 175.36, subsection 1, paragraph a, Code
4 30 2003, is amended to read as follows:

4 31 a. INSURANCE OR LOAN GUARANTEE PROGRAM. An insurance or
4 32 loan guarantee program to provide for the insuring or
4 33 guaranteeing of all or part of a loan made to an agricultural

4 34 producer for the acquisition of ~~beef-cattle~~ livestock to
4 35 establish or expand a feeder cattle operation.
5 1 Sec. 14. Section 175.36, subsection 1, paragraph b,
5 2 unnumbered paragraph 1, Code 2003, is amended to read as
5 3 follows:
5 4 The authority may contract with a participating lending
5 5 institution and a qualified agricultural producer to reduce
5 6 the interest rate charged on a loan for the acquisition of
5 7 ~~beef-cattle~~ breeding stock. The authority shall determine the
5 8 amount that the rate is reduced, by considering the lending
5 9 institution's customary loan rate for the acquisition of ~~beef~~
5 10 ~~cattle~~ breeding stock as certified to the authority by the
5 11 lending institution.

5 12 Sec. 15. Section 175.36, subsection 1, paragraphs c and d,
5 13 Code 2003, are amended to read as follows:

5 14 c. A COST=SHARING PROGRAM. The authority may contract
5 15 with an agricultural producer to reimburse the producer for
5 16 the cost of converting land planted to row crops to pasture
5 17 suitable for ~~beef-cattle~~ livestock production. However, the
5 18 amount reimbursed shall not be more than twenty-five dollars
5 19 per acre converted, or fifty percent of the conversion costs,
5 20 whichever is less. The contract shall apply to not more than
5 21 one hundred fifty acres of row crop land converted to pasture.
5 22 The converted land shall be utilized in ~~beef-cattle~~ livestock
5 23 production for a minimum of five years. The amount to be
5 24 reimbursed shall be reduced by the amount that the
5 25 agricultural producer receives under any other state or
5 26 federal program that contributes toward the cost of converting
5 27 the same land from row crops to pasture.

5 28 d. A MANAGEMENT ASSISTANCE AND TRAINING PROGRAM. The
5 29 authority in cooperation with any agency or instrumentality of
5 30 the federal government or with any state agency, including any
5 31 state university or those associations organized for the
5 32 purpose of assisting agricultural producers involved in ~~beef~~
5 33 ~~cattle~~ livestock production, or with any farm management
5 34 company if such company specializes in ~~beef-cattle~~ livestock
5 35 production or in assisting ~~beef-cattle~~ livestock producers, as
6 1 prescribed by rules adopted by the authority, shall establish
6 2 programs to train and assist agricultural producers to
6 3 effectively manage ~~beef-cattle~~ livestock production
6 4 operations.

6 5 Sec. 16. Section 175.36, subsection 2, paragraphs b and d,
6 6 Code 2003, are amended to read as follows:

6 7 b. The agricultural producer has land or other facilities
6 8 available to establish a ~~beef-cattle~~ livestock production
6 9 operation as prescribed by rules of the authority.

6 10 d. The land or other facilities available to establish a
6 11 ~~beef-cattle~~ livestock production operation are located within
6 12 the state.

6 13 Sec. 17. Section 175.34, Code 2003, is repealed.

6 14 EXPLANATION

6 15 This bill amends a number of provisions regarding the
6 16 agricultural development authority (referred to as the
6 17 "authority") established in Code chapter 175, the "Iowa
6 18 Agricultural Development Act". The authority is an
6 19 instrumentality under the department of agriculture and land
6 20 stewardship responsible for administering a number of programs
6 21 to assist agricultural producers and farmers, including the
6 22 beginning farmer program financed through the issuance of
6 23 private activity bonds that are exempt from federal and state
6 24 taxation.

6 25 PROCESSING. Code chapter 175 establishes programs to
6 26 assist agricultural producers, including beginning farmers, in
6 27 acquiring capital in order to carry out farming operations.
6 28 Code section 175.2 defines "agricultural producer". The
6 29 section currently provides that an agricultural producer is a
6 30 person engaging in the business of producing and marketing
6 31 agricultural produce in this state. The bill amends the
6 32 definition to provide that it includes processing agricultural
6 33 products.

6 34 BONDING BY MEMBERS. The bill strikes a provision in Code
6 35 section 175.3 that requires a board member to provide a bond.

7 1 The bill amends various provisions in the Code chapter that
7 2 establish programs assisting agricultural producers, including
7 3 Code section 175.13A. That section authorizes the authority
7 4 to establish a broad variety of programs to assist
7 5 agricultural producers, including through loan guarantees,
7 6 interest buy-downs, grants, secured or unsecured direct loans,
7 7 secondary market purchases of loans or mortgages, or loans to
7 8 lending institutions or lenders as provided by rules adopted
7 9 by the authority. The section places certain restrictions

7 10 upon applicants. An applicant must have farm operations in
7 11 the state; and be unable to reasonably obtain, retain,
7 12 restructure, or service loans or other financing. The bill
7 13 amends these requirements by providing that the applicant
7 14 produce or process agricultural products in the state. The
7 15 bill eliminates the provision relating to the inability to
7 16 reasonably obtain financing.

7 17 AGRICULTURAL EDUCATION. The bill amends various Code
7 18 sections, including Code sections 175.3 and 175.4, to allow
7 19 the authority to establish or support agricultural educational
7 20 programs in order to better inform persons regarding farming,
7 21 the production and processing of agricultural products, and
7 22 the benefits of farming as an avocation and way of life.

7 23 LIVESTOCK PROGRAMS. The bill amends Code section 175.2 to
7 24 provide a definition of livestock that includes traditional
7 25 species of livestock and poultry as well as other animals that
7 26 are produced for their parts or products. Current law
7 27 provides a definition of farming that includes aquaculture and
7 28 hydroponics. The chapter's provisions that provide for
7 29 assisting operations would include assistance to livestock
7 30 operations.

7 31 In addition, the bill amends Code section 175.36 which
7 32 provides programs to assist beef cattle operations. The bill
7 33 amends that Code section to provide for programs to assist
7 34 livestock producers generally. The programs include an
7 35 insurance or loan guarantee program, an interest buy-down
8 1 program, and a management assistance and training program.
8 2 The program requirements that applied to beef cattle
8 3 operations would apply to livestock operations. For example,
8 4 the agricultural producer qualifying for program assistance
8 5 must be a resident of the state; hold land or other facilities
8 6 available to establish an operation; and be an individual,
8 7 partnership, or a family farm corporation. In addition, the
8 8 land or other facilities must be located within the state, the
8 9 agricultural producer must have a net worth of \$400,000 or
8 10 less, and the agricultural producer must develop a farm unit
8 11 conservation plan.

8 12 REPORTING REQUIREMENTS. Code section 175.8 requires the
8 13 authority to submit an annual report to the governor and
8 14 general assembly that includes a summary of its operations and
8 15 financial condition. The bill amends the provision to
8 16 eliminate annual reporting and to provide that the authority
8 17 shall submit the information upon request by the governor or a
8 18 member of the general assembly. Code section 175.8 also
8 19 requires the authority to identify performance goals and
8 20 indicate progress in attaining those goals. The bill provides
8 21 that the authority may undergo such an evaluation at its own
8 22 discretion.

8 23 SOIL CONSERVATION PROGRAMS. Code section 175.34 requires
8 24 the authority to establish a soil conservation loan program to
8 25 facilitate the implementation of permanent soil and water
8 26 conservation practices and the acquisition of conservation
8 27 farm equipment for agricultural land within the state. The
8 28 bill eliminates this program by repealing Code section 175.34,
8 29 and amending correlating provisions in Code section 175.4.
8 30 LSB 1232DP 80
8 31 da/pj/5